CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

March 10, 2003

Miscellaneous Trade and Technical Corrections Act of 2003

As ordered reported by the Senate Committee on Finance on February 27, 2003

SUMMARY

The Miscellaneous Trade and Technical Corrections Act of 2003 is an omnibus trade bill that would reduce receipts through various changes to existing trade law, including the suspension or reduction of duties on specific products, the refund of already settled duties paid on certain entries (reliquidation), and the refund of duties paid on certain imported merchandise upon destruction or exportation (drawback). In addition, the bill would authorize the President of the United States to extend normal trade relations (NTR) to the Federal Republic of Yugoslavia, expand the list of articles eligible for preferential treatment under the Andean Trade Preference Act (ATPA), and establish guidelines intended to strengthen the protection of intellectual property rights in trade agreements. The bill also would create within the Department of Commerce a $32 million grant program for manufacturers of worsted wool fabrics.

The Congressional Budget Office (CBO) estimates that the bill would decrease governmental receipts by $62 million in 2003, by $323 million over the 2003-2008 period, and by $404 million over the 2003-2013 period. Based on information from the Department of Commerce, CBO estimates that the wool grant program would increase direct spending by $24 million in 2004 and $8 million in 2005.

CBO has determined that the bill contains no new private sector or intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA), and would impose no costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The following table summarizes the estimated budgetary impact of the bill.

	By Fiscal Year, In Millions of Dollars										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
CHANGES IN REVENUES											
Estimated Revenues											
Title I: Tariff Provisions											
Subtitle A											
New duty suspensions and reductions	-10	-59	-59	-15	0	0	0	0	0	0	0
Extensions of suspensions and reductions	-2	-10	-10	-3	0	0	0	0	0	0	0
Subtotal	-11	-69	-69	-17	0	0	0	0	0	0	0
Subtitle B											
Duty-free treatment for handmade rugs	-6	-5	-6	-7	-2	0	0	0	0	0	0
Unused merchandise drawback	-26	-26	-11	-12	-12	-13	-13	-14	-14	-15	-16
Other provisions	-17	-2	-2	-2	-1	-1	-1	-1	-1	-1	-1
Subtotal	-50	-33	-19	-21	-15	-13	-14	-14	-15	-16	-16
Title II: Other Trade Provisions											
NTR for Yugoslavia	*	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1
Total Changes in Revenue	-62	-103	-89	-39	-16	-14	-15	-16	-16	-17	-17
CHANGES IN DIRECT SPENDING											
Budget Authority	32	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	0	24	8	0	0	0	0	0	0	0	0

NOTES : Components may not sum to total due to rounding.
* = loss of less than $500,000.

SOURCE: Congressional Budget Office.

Revenues

Title I of the bill would reduce or suspend the duties on various products imported into the United States, and provide additional tariff relief through reliquidation and drawback. Duties on over 300 intermediary products would be suspended or reduced by subtitle A. These products include certain chemical compounds, machinery, and tools. Based on information from the U.S. International Trade Commission (ITC), CBO estimates that these provisions would decrease revenues by $142 million over the 2003-2008 period. (Most of the suspensions and reductions would be effective through December 31, 2005.) The bill would also temporarily extend some duty suspensions and reductions that existed in prior law and are set to expire. Most of the extensions would be through December 31, 2005. CBO estimates that these extensions would reduce revenues by $25 million between the years 2003 and 2008. In total, CBO estimates subtitle A would reduce governmental receipts by $11 million in 2003 and by $167 million over fiscal years 2003 through 2008, net of income and payroll tax offsets.

Subtitle B of Title I would liquidate or reliquidate certain entries of goods imported into the United States, effectively providing refunds of duties paid on previously imported products. CBO estimates these provisions would reduce governmental receipts by about $16 million in fiscal year 2003. Subtitle B also contains several miscellaneous trade provisions that would have a more significant impact on revenues. Section 1606, which would extend duty-free treatment under the Generalized System of Preferences to certain hand-knotted or hand-woven carpets, would reduce receipts by an estimated $27 million over the 2003-2008 period, net of income and payroll tax offsets. Section 1708, which would allow for retroactive duty drawback of unused merchandise under section 1313(j) of the Tariff Act of 1930, would reduce revenues by an estimated $26 million in 2003 and $101 million over the 2003-2008 period, net of income and payroll tax offsets. Other miscellaneous trade provisions contained in subtitle B would reduce revenues by $8 million over the 2003-2008 period. In total, CBO estimates that the provisions contained in subtitle B would reduce governmental receipts by about $151 million over the 2003-2008 period, net of income and payroll tax offsets.

Title II of the bill would authorize the President of the United States to extend normal trade relations to the Federal Republic of Yugoslavia. CBO assumes that if given the authority, the President would extend NTR status to the Federal Republic of Yugoslavia and estimates that doing so would decrease revenues by about $5 million over the 2003-2008 period, net of income and payroll tax offsets.

Title III of the bill would establish guidelines intended to strengthen the protection of intellectual property rights in trade agreements. CBO estimates this will have no effect on federal receipts.

Direct Spending

The bill would appropriate $32 million for grants to manufacturers of worsted wool fabrics, as well as such sums as necessary for the Department of Commerce to administer the new program. Based on information from the agency, we estimate that the department's administrative costs would be less than $500,000 per year. Therefore, CBO projects that the grant program would increase direct spending by less than $500,000 in 2003, about $24 million in 2004, and about $8 million in 2005.

BASIS OF ESTIMATE

For the purposes of this estimate, CBO assumes that the bill will be enacted late in fiscal year 2003. Estimates of the revenue impact of suspending or reducing duty rates are based on data from the ITC. Estimates of the duty drawback provision are based on data from the U.S. Customs Service on drawback collections and CBO's projections for future customs collections. The estimates of the impact of granting the Federal Republic of Yugoslavia normal trade relations are based on current import data and CBO's projection of non-petroleum imports. Projections for the remaining revenue provisions in the bill are based on estimates provided by the ITC and the U.S. Customs Service, on recent data on the collections of customs duties, and on information from various industry sources. Consistent with standard procedures for estimating the revenue impact of indirect business taxes, the gross revenue impact on customs duties is reduced by 25 percent to reflect offsetting effects on income and payroll tax receipts.

EFFECT ON REVENUES AND DIRECT SPENDING

The overall effect of the bill on on-budget revenues and direct spending is shown in the table below.

	By Fiscal Year, in Millions of Dollars										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Changes in receipts	-62	-103	-89	-39	-16	-14	-15	-16	-16	-17	-17
Changes in outlays	0	24	8	0	0	0	0	0	0	0	0

SOURCE: Congressional Budget Office.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

The bill contains no private-sector or intergovernmental mandates as defined in UMRA, and would impose no costs on state, local, or tribal governments.

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